

Transmittal Letter

November 20, 2019

Via Email

Lori A. Catuogno
Joint Committee on Legislative Services
Room 3, State House
82 Smith Street
Providence, RI 02903

Phone: (401) 222-6533
Email: lcatuogno@rilegislature.gov

Re: Response to Request for Proposals for an Independent Gaming Study to Evaluate a Proposed Contract Extension with Rhode Island's Current Exclusive Lottery Vendor and Assessment of Analyses Submitted Supporting and Disputing the Proposal

Dear Ms. Catuogno:

Thank you for the opportunity to respond to this Request for Proposals ("RFP"). Pursuant to that RFP, Christiansen Capital Advisors, LLC ("CCA") hereby submits its proposal (the "Proposal") to provide an Independent Gaming Study ("the Study") to evaluate a proposed contract extension with Rhode Island's current lottery vendor for the Rhode Island General Assembly ("RIGA").

CCA, led by Mr. Eugene Christiansen and Mr. Sebastian Sinclair, has been advising governments, investors, corporations, and law firms concerning casino gaming, sports betting, lotteries, pari-mutuel racing and breeding, E-gambling and related leisure activities domestically and abroad since 1988. CCA is engaged to conduct market studies, assist governments in developing regulatory regimes and request for proposals for gaming licenses and contracts, conduct economic impact studies, assist governments and communities in mitigating adverse social and economic impacts of casino gaming and other forms of gambling, assess the feasibility of investments, advise in mergers or acquisitions, provide advice and counsel in litigation, support companies in gaming license applications, and similar advisory work. CCA has advised many government agencies that regulate gambling, including the New York State Gaming

Facility Location Board, the Portuguese Tourism Board, the Rhode Island Department of Revenue, the Kansas Lottery, the Illinois Lottery, the DC Lottery, and the Indiana Lottery.

With over 50 years of combined, comprehensive experience in casino, lottery, and VLT projects across multiple jurisdictions, CCA and its subcontractors have counseled clients in all aspects of the gaming development process including market studies, legislation, the oversight and supervision of gaming licensees, license applications, suitability investigations, evaluation and selection of casino development projects, project financing and development and gaming operations. CCA has extensive knowledge and expertise in advising government entities on gaming and lotteries. Our broad industry expertise makes us well-equipped to provide the services required under the RFP.

For more information concerning our experience, please refer to the information provided in Section 3 of this response.

We firmly believe that CCA is in the best position to offer comprehensive, high-quality services to RIGA which will be efficient and cost effective. We expressly agree to perform these services as contemplated by the RFP, comply with each of the requirements of scope of work; and, commence and diligently pursue the work as issued and authorized by the Joint Committee on Legislative Services.

Should you have any questions about the Proposal, please do not hesitate to contact me. I will serve as the primary contact person for this RFP. We desire to serve the interests of the people of Rhode Island and hope to work with RIGA in the near future.

Very truly yours,

A handwritten signature in dark ink, appearing to read "S. Sinclair". The signature is fluid and cursive, with the first name "S." and the last name "Sinclair" clearly distinguishable.

Sebastian Sinclair
President
CHRISTIANSSEN CAPITAL ADVISORS, LLC

Independent Gaming Study to Evaluate a Proposed Contract
Extension with Rhode Island's Current Exclusive Lottery
Vendor and Assessment of Analyses Submitted Supporting
and Disputing the Proposal

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PART 1. PROJECT TIMELINE

The Rhode Island General Assembly (“RIGA”) is requesting proposals from qualified consultants to evaluate a proposed contract extension with Rhode Island’s current lottery vendor. Christiansen Capital Advisors, LLC. (“CCA”) is pleased to submit this response to RIGA’s Request for Proposals. CCA understands that the RIGA wishes to obtain expert services to better inform the public discussion of this lottery contract and how its terms compare with similarly situated lotteries in other jurisdictions. In meeting these challenges Rhode Island can rely with confidence on the industry-leading understanding of VLT and lottery gaming that CCA provides.

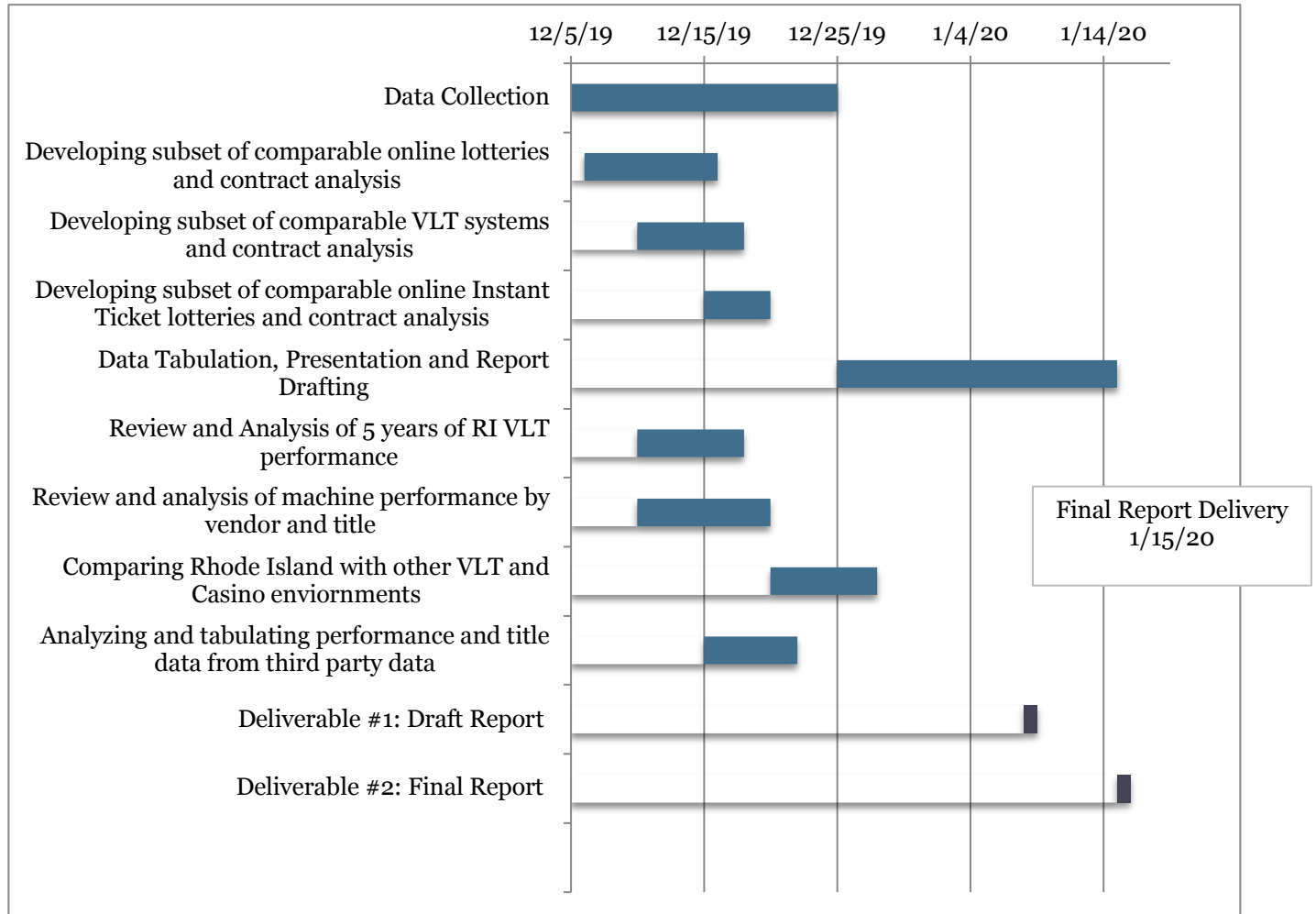
RIGA has identified the following key areas of research for this project:

Scope of Work Requested

- *Comparability of proposed IGT contract with market rates and practices*
 - *Lottery Central Communications system and related support services*
 - *Estimate value of services rendered not typical of other contracts to ensure comparability*
 - *VLT Central Communications system and related support services*
 - *Estimate value of services rendered not typical of other contracts to ensure comparability*
 - *VLT Provider*
 - *Rates and replacement requirements*
 - *Premium games*
 - *Efficiency*
 - *Competition among VLT providers*
 - *Instant ticket services*
 - *Contract length, changing technology and markets*
- *Related Considerations*
 - *Unique role of state in control over casino operations*
 - *Qualifications of potential other vendors*
 - *Timing and implementation of system vendor changeovers*
 - *Role of VLT offerings in overall revenue performance and impact of competition for floor space*

Per the organization of the RFP, in Section 4 of this response CCA will discuss in detail how we intend to approach this study and address the issues identified above. The following Gantt chart presents a summary plan of the work to be conducted, timeline, and key milestones or deliverables. In addition to the milestones presented below, CCA can facilitate weekly project updates via email or conference calls to the RIGA staff on progress towards project milestones and to discuss preliminary findings

Summary Project Plan



PART 2. PROJECT BUDGET

The following table presents an itemized cost proposal for this project.

Task	Start Date	End Date	Cost
Data Collection	12/5/19	12/25/19	\$ 16,000.00
Developing subset of comparable online lotteries and contract analysis	12/6/19	12/16/19	\$ 16,000.00
Developing subset of comparable VLT systems and contract analysis	12/10/19	12/18/19	\$ 12,800.00
Developing subset of comparable online Instant Ticket lotteries and contract analysis	12/15/19	12/20/19	\$ 8,000.00
Data Tabulation, Presentation and Report Drafting	12/25/19	1/15/20	\$ 42,000.00
Review and Analysis of 5 years of RI VLT performance	12/10/19	12/18/19	\$ 12,800.00
Review and analysis of machine performance by vendor and title	12/10/19	12/20/19	\$ 16,000.00
Comparing Rhode Island with other VLT and Casino environments	12/20/19	12/28/19	\$ 12,800.00
Analyzing and tabulating performance and title data from third party data	12/15/19	12/22/19	\$ 11,200.00
Deliverable #1: Draft Report		1/9/20	
Deliverable #2: Final Report		1/16/20	
Total			\$147,600.00

CCA estimates that the professional fees required to complete this study as described on the preceding pages of this proposal will be \$147,600 U.S.D. CCA will agree to a fixed price contract in that amount. Should services be required beyond what is described in this proposal, CCA and the RIGA will agree in advance in writing to the compensation required for such further services. In no instance shall any work beyond what is described in this proposal be undertaken by CCA without the express written consent of the RIGA.

In addition to CCA's professional fees, expenses incurred on your behalf shall be billed at cost. The following schedule details the anticipated out of pocket expenses that will be incurred by CCA in the completion of this study.

Anticipated Expenses:

Data purchases (Lottery Data/Slot performance data)-\$5,500

Travel and Testimony/Presentations (assuming 2 trips to Rhode Island)-\$6,000

(Additional travel and professional time for testimony/presentations, if requested, \$3,000 per trip)

Total Project Cost: \$159,100.00

PART 3: BIDDER INFORMATION

Primary Bidder: Christiansen Capital Advisors, LLC.**Organization Name & Mailing Address**

Christiansen Capital Advisors, LLC.
170 Sawyer Road
New Gloucester, ME 04260

Chief Executive – Name/Title

Eugene Martin Christiansen/Chairman

Project Lead/Point of Contact Information

Sebastian Sinclair
President
Christiansen Capital Advisors, LLC.
170 Sawyer Road, New Gloucester, ME 04260

Telephone number: (207) 240-1368

Website: www.CCA-i.com

Email: stsinc@gwi.net

Organization Headquarters – City/State/Zip

New Gloucester/Maine/04260

Organization Qualifications and Experiences

Since 1988, the principals and staff of Christiansen Capital Advisors, LLC have performed studies of the economics, management, operations, taxation, and regulation of leisure and entertainment businesses in more than fifty states, provinces, and foreign countries, with particular focus on gaming and wagering.

The subjects of these studies have included sports, entertainment, communications, casinos, sports wagering, lotteries, and all segments of the racing and pari-mutuel wagering industries. These projects have included:

Advising clients on alternative gaming and leisure strategies in legal proceedings, in legislative efforts, and before regulatory agencies; Optimizing gambling privilege tax rates and assessing the impacts of changing tax rates on government and industry revenues; Assessing the overall economic contribution of commercial gambling industries to countries, states, and individual localities; Assessing the degree of gaming saturation and potential for growth in various markets; Estimating the revenue potential and economic feasibility of new projects; Assessing the value of existing gambling facilities; Evaluating the economic impact of the development of commercial gambling located on U.S. Indian lands on non-tribal state-regulated wagering industries; Advising State governments and lotteries on issues associated with lottery operational efficiency, product analysis and analyses of lottery contracts and as well as options related to privatization/valuation.

With over 50 years of combined experience in gambling, no other firm can match CCA's experience in this sector of the economy. Unlike general consulting firms, CCA has experienced specialists in gambling and related forms of leisure. CCA is regularly cited as an authority on gambling in the news media and enjoys an unrivalled reputation for integrity, detail, knowledge, and skill in assessing existing and new gambling markets and investments.

CCA has advised numerous racing and gaming commissions, state lotteries, gaming or wagering licensees and license applicants, vendors, law firms, and investment banks.

Curriculum Vitae/Relevant Projects

DC Lottery

CCA was engaged by the Office of the Chief Financial Officer in the District of Columbia to review, analyze and opine on proposals to provide the District of Columbia Lottery Board ("DCLB") with an on-line lottery system. We conducted an in-depth comparative analysis of vendor proposals. This independent assessment was performed in connection with solicitation CFOPD-09-R-013. The primary tasks included:

- A review and analysis of each vendor cost proposal and made recommendation as to which proposal offered the best value to the District. In doing so we depicted the differences in each pricing proposal and submitted justifications as to which proposal was recommended and detailed any cost differentials. We provided a matrix to comparatively demonstrate the differences in each price proposal.
- A review and analysis of each vendor's technical proposal to make recommendations as to which proposal offered the best value to the District. We depicted the differences in each technical proposal and submitted justifications as to which proposal was recommended for award and why. Additionally, our review included a detailed justification for the proposed decision. We provided a matrix to comparatively demonstrate the differences in each technical proposal.
- Our review took into account the strengths and weaknesses of each vendor's technical and cost proposal and concluded in a summary of which proposal offered the best value to the District considering technical capability and price. We documented and explained all potential liabilities and the differences between the submitted proposals.

Illinois Lottery

CCA was part of a team to provide the State of Illinois and the Illinois Lottery with advisory and consulting services to assist in evaluating and securing a private manager to manage the day-to-day operations of the lottery in order to make the business more efficient, nimble and responsive to market needs and changes. The selection of a lottery private manager or management entity was strategically

important to the State of Illinois, as the expected increase in lottery revenues will fund much needed statewide capital improvements.

We provided consulting services relating to the structure of the management relationships, assisted in drafting a request for proposal, developing selection criteria and tools and assisting in the valuation of offers and support in contract negotiations.

Our work on this project included:

- We conducted a review and assessment of all relevant factors, including issues facing the lottery industry in general and the Illinois Lottery in particular, as well as economic and non-economic factors impacting the value and structuring of the proposed transaction, in support of a management agreement and performance expectations that would best serve the Illinois Lottery and extract the maximum value for the State of Illinois.
- Specifically, CCA provided a detailed analysis of lottery performance in comparable states, an analysis lottery operating structures and relationships with all stakeholders including retailers, advertisers and the terms of online and instant ticket contracts and the services provided within those contracts in other states.
- Developed key aspects of the RFP including probity requirements, technical requirements, staffing specifications, and financial and business terms, reviewed RFP language for technical accuracy, incorporated revisions, and developed supporting documentation, developed evaluation criteria, valuation models, scoring methodologies and supporting documentation and tools.
- Provided background, performance and historical information on features proposed by offerors.

DC Lottery

CCA was the winning respondent to RFP CFROPD-08-R-003 “Consulting Services – Lottery Privatization”. The tasks associated with this RFP included an in-depth analysis of the value of the District’s lottery system and an evaluation of the benefits, if any, as well as the issues associated with privatizing its lottery system.

- We reviewed and analyzed the District’s current lottery system and advised the District of any inherent risks such as competitive and market pressures that could contribute to declining lottery revenues in the future.
- We analyzed and quantified if there were substantial untapped revenues or unrealized value in the District’s current lottery system.
- We advised the District of potential strategies for unlocking the unrealized value of the lottery system, including advantages/disadvantages of each strategy and the associated potential economic benefits;

- The valuation study assesses the current social and regulatory environment in the U.S. in general and specifically, in the District of Columbia, providing advice to the District on any issues that may adversely affect complete or partial privatization of the lottery system. Additionally, the study provides a comprehensive valuation and feasibility report to the District regarding monetization/privatization of the lottery.

La Francaise Des Jeux (“LFDJ”)

CCA provided LFDJ with an independent third-party overview of the US lottery market and its dynamics and the potential for outsourcing of lottery operations. CCA’s review included:

- The estimated market size and growth potential by major game type and a description of primary distribution channels for lottery products, the estimated consumer base for lottery products and consumption per capita, and key factors that explain that growth, or lack thereof going forward;
- A description of lottery regulation in the US, including: the relationship with State administrations, the level of contribution to public funding, a review of the status of Internet lottery programs in various States, an evaluation and review of the ratio of lottery sales to prizes in various States, and a review of the consistency of regulation among the various State lotteries.

Indiana Lottery

CCA was awarded a “Professional/Personal Services Agreement” with the State of Indiana. The tasks associated with this project focused on identifying enhancing measures with respect to the operation of the Lottery. This project, in part, included:

- An analysis of the current and historical performance of the Hoosier Lottery and its product portfolio compared to other forms of gambling within Indiana and to other State lotteries.
- Evaluated new lottery games or products that could be added to the Lottery’s offering; including Hot Lotto™, a \$50 instant ticket, add-on games, and the bundling of Hoosier Lottery products.
- Evaluated and made recommendations toward new sales and marketing strategies for the Hoosier Lottery.
- Reviewed the current retailer network, including identification of regions of the State that would benefit from additional retail penetration, and an analysis of new ITVM machines available from vendors and their placement.
- An analysis of the Lottery’s existing on-line ticket system with recommendations for new software and equipment.

- Reviewed and analyzed the Hoosier Lottery's existing vendor contracts (which were up for rebid the following year) as well vendor contracts in other States.
- Made recommendations for increased revenue efficiency; including paring Lottery administrative costs and recommendations for inclusion in the Request for Proposals in the Hoosier Lottery's upcoming re-bid of its vendor contracts.
- Provided Base Case and Upside pro forma projections for a period of 10 years for each recommendation made in the final report.

The State of Illinois—subcontractor to Scott Balice Strategies, LLC

Provided consulting and research into the performance of, likely prospects for, and ways to improve the operation of the Illinois Lottery, including the evaluation of VLTs. CCA's analysis of the Illinois Lottery included:

An analysis of the current and historical performance of the Illinois Lottery compared to other forms of gambling within Illinois and to other State lotteries, which included:

- Payout Ratios,
- New Game Innovation,
- Retail Relationships,
- Advertising Effectiveness,
- Sales, Operating Expenses, and Government Revenues

CCA further provided a business review and description of the Illinois Lottery highlighting those areas for additional penetration, operational improvements, revenue maximization and margin expansion. The analysis also included a qualitative review of the last three years' historical financial performance and key drivers of this performance.

The Massachusetts Lottery

CCA was the winning bidder to "RFP #LOT 526 - Independent Lottery Research and Consultant Services". The tasks associated with this RFP required an evaluation and recommendations into the optimization of the Massachusetts Lottery including the evaluation of VLTs. This project, in part, included:

- An analysis of the MSLC's current gaming product portfolio compared to other State lotteries identifying weaknesses and strengths in its offerings.

- An assessment and recommendations of potential new lottery products with estimates of changes in MSLC revenues associated with the introduction of new lottery products including a cost-benefit analysis of all recommended scenarios.
- A review and analysis of the introduction of a second monitor game, to complement the current MSLC Keno monitor game. Focus was on the Daily Race Game but included a discussion of other monitor games available in the marketplace as well as estimated potential revenues and the effect, if any, these games would have on other gaming venues within Massachusetts, particularly the racing industry.
- An evaluation of the introduction of electronic instant tickets or electronic game cards, the effect that these products would have on the sales of other current Lottery offerings, and the potential for revenue enhancement.
- An evaluation of the introduction of electronic gaming devices, commonly referred to as video lottery terminals (VLT's) in the Commonwealth for potential revenue enhancement and prepared estimates of cannibalization of existing MSLC games, particularly instant tickets.
- A review of the MSLC's current public relations/advertising campaigns and promotional strategies with recommendations for optimizing promotional expenditure.

The Kansas Lottery

CCA provided the Kansas Lottery with a series of studies evaluating the impacts of expanded gaming. CCA provided revenue projections for multiple scenarios of gaming including recommendations for the best locations in the State to site gaming facilities vis-à-vis maximizing receipts to the State of Kansas. We evaluated and made recommendations as to which city/cities and/or area(s) of the State expanded gaming should be located, and what level of gaming activity each market could bear. Particular emphasis was given to the type of facility gaming being considered (e.g., stand-alone casinos, existing pari-mutuel facilities, existing Kansas Lottery retailer outlets, etc.), the expected impact on other gaming venues in the vicinity of each, and the expected impact of other leisure and entertainment developments in the vicinity of each.

Staff Biographies and Role in Project

Eugene Martin Christiansen – Chairman

Assigned Role(s): Overall Project Management and Direction/Report Drafting



Mr. Christiansen has been active as an executive and consultant to the commercial gambling and entertainment industries since 1976. In the area of commercial gambling, he has conducted studies of the economics, taxation, financial structure, and regulation of casino gaming, pari-mutuel wagering, and lotteries, and has counseled Manhattan and Washington, D.C. law firms in legal proceedings where gambling was an issue.

Representative work includes studies of the efficiency of a U.S. state lottery; estimates of the demand for casino gaming, lotteries, and pari-mutuel wagering in U.S. and foreign markets; the feasibility and revenue potential of off-track betting; the financial structure of the Atlantic City casino industry; the impact of gambling on U.S. Indian reservation lands on State-authorized gambling industries; analyses of gambling taxation; procedures to increase wagering and improve the efficiency of pari-mutuel betting operations; the changing nature of communications media and the implications of the changes for horse racing; the interrelationships among evolving consumer expectations, casino gaming, and other forms of entertainment; the evaluation of a proposed cable television network for a major U.S. telecommunications company; and assessment of acquisition prospects for a major equity fund.

Mr. Christiansen is the author of numerous articles dealing with casinos, horse racing, greyhound racing, jai alai, off-track betting, lotteries and related activities in trade, professional, and academic publications. He prepares authoritative statistical reports that are widely used domestically and abroad, including annual analyses of the gross wager of the United States which appears annually in *International Gaming and Wagering Business* magazine and other trade publications. These are recognized throughout the world as the most comprehensive and authoritative description of the gambling industries of the U.S. He is also a co-author of an influential academic study of gambling, *The Business of Risk: Commercial Gambling in Mainstream America* (University Press of Kansas, 1985).

Mr. Christiansen is a member of the advisory boards of the National Council on Problem Gambling and the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno. He has also served on the faculty of that University's Executive Development Program.

Sebastian Sinclair – President

Assigned Role(s): Project Management/Financial Analyses/Contract Harmonization



Mr. Sinclair has been an analyst at Christiansen Capital Advisors, LLC since 1993, and President since 1999, in that capacity; he has conducted studies of the economics, financial structure, and valuation of existing and proposed gambling facilities. Mr. Sinclair has extensive experience in the development and application of quantitative computer models and specializes in the competitive economics, business models, and the

strategic financial analysis of legal gambling industries.

Illustrative projects include: advised the State of New York regarding the award of four casino licenses: including creating gaming zones in the State, determining a one-time license fee payable when to estimated market size (License fees ranged from \$35 million for a casino in sparsely populated parts of the State to \$70 million for a casino in densely populated areas north of New York City) and evaluating the economic projections and business plans of all applicants; for the District of Columbia, an in-depth analysis of the value of the District's lottery system and an evaluation of the benefits as well as the issues associated with privatizing its lottery system; For the State of New Jersey, provided the Office of the Treasurer with an analysis the feasibility of VLTs at the Meadowlands and how such newly authorized devices might mitigate the exporting of consumer gaming dollars to its neighbors; for the State of Indiana, a detailed review and analysis of the Hoosier Lottery, including recommendations to optimize performance and thereby maximize revenue returned to the State; for the Kansas Lottery, a series of studies evaluating the market potential, optimal locations, and impacts of VLT gaming; for the State of Illinois, advisory and consulting services to assist in selecting a third-party manager to run the day-to-day operations of the Illinois Lottery, including the proper structure of the management relationships, assisting in drafting a request for proposal, developing selection criteria and tools and assisting in the valuation of offers and support in contract negotiations.

Mr. Sinclair is the author of numerous professional articles dealing with the economic and financial aspects of legal gambling industries in trade and professional publications. His opinion and comments regarding these and other gambling matters are often sought by the news media. Mr. Sinclair has testified on various aspects of commercial gambling before State, local governments, and the US Congress. He has been a featured speaker at the World Gaming Congress and Expo, G2E, The Global Interactive Gaming Summit, Gaming Online, Investing in Online Gaming, and several other industry conferences.

Mr. Sinclair is a graduate of New York University.

Jason Pawlina-Associate

Assigned Role(s): Project Research/Data Collection/Financial Analyses/Preparing Exhibits

Mr. Pawlina joined CCA in June 2000 after completing his degree in Economics at the University of Southern Maine. Jason's unique experience made him an excellent candidate for the company. Prior to joining CCA, Jason worked at Lyons & Associates, Inc. as a research analyst where his primary responsibilities included Internet research, acquisition news tracking, and company acquisition analysis & profiling of acquired companies. Mr. Pawlina performs similar work at CCA and has become the company's lead researcher. He follows and profiles Internet and traditional gambling companies. Mr. Pawlina maintains the CCA database of gambling news, analysis, and information.

Dylan Sinclair-Intern

Assigned Role(s): Project Research/Data Collection/Preparing Exhibits

Dylan Sinclair is a junior pursuing a double major in finance and economics at the University of Southern Maine, he works part time as an intern at CCA and performs research and data collection as well as data presentation.

PART 4: METHODOLOGY

Scope of Work Requested

- *Comparability of proposed IGT contract with market rates and practices*
 - *Lottery Central Communications system and related support services*
 - *Estimate value of services rendered not typical of other contracts to ensure comparability*
 - *VLT Central Communications system and related support services*
 - *Estimate value of services rendered not typical of other contracts to ensure comparability*
 - *VLT Provider*
 - *Rates and replacement requirements*
 - *Premium games*
 - *Efficiency*
 - *Competition among VLT providers*
 - *Instant ticket services*
 - *Contract length, changing technology and markets*
- *Related Considerations*
 - *Unique role of state in control over casino operations*
 - *Qualifications of potential other vendors*
 - *Timing and implementation of system vendor changeovers*
 - *Role of VLT offerings in overall revenue performance and impact of competition for floor space*

Comparability of proposed IGT contract with market rates and practices

From our prior work in this area, we are keenly aware of the difficulties in harmonizing on-line and VLT systems contracts from jurisdiction to jurisdiction in such a way that apples to apples to comparisons between them can be drawn. While Rhode Island may be the only state to have a lottery contract tied to an economic development deal, it is not the only state with a unique lottery contract. While these contracts are typically similar in financial structure (x% of lottery sales and/or net terminal income) they are often very different in the extent of services provided under that contract. To take two extreme examples; the Texas Lottery is almost entirely outsourced to service providers, while the Massachusetts Lottery buys its central system outright and does most of these business functions in-house. Most other states fall somewhere in between.

Lottery Central Communications system and related support services

Estimate value of services rendered not typical of other contracts to ensure comparability

CCA will develop a subset of online lotteries in the United States that are similar in size and structure to Rhode Island. Lotteries used for comparisons will also be chosen based on such factors as geographic proximity, population, years in business, and statutory provisions. Within that subset, CCA will perform a detailed analysis of the online lottery contracts and the services provided therein to rationalize and quantitatively compare the terms of these contracts with what is proposed for Rhode Island.

Development of a peer groups is necessary because of economies of scale enjoyed by large lotteries like Florida, New York and California, as well as contract terms that truly non-comparable, such as the Massachusetts lottery where the Lottery purchases the central system for online games outright. CCA will develop a series of performance metrics to benchmark lotteries within this peer group.

*VLT Central Communications system and related support services**Estimate value of services rendered not typical of other contracts to ensure comparability*

CCA will develop a subset of VLT jurisdictions in the United States that are similar in size and structure to Rhode Island. Lotteries used for comparisons will also be chosen based on such factors as geographic proximity, population, years in business, and statutory provisions. Within that subset, CCA will perform a detailed analysis of the VLT contracts, operating structure, and the services provided therein to rationalize and quantitatively compare the terms of these contracts with what is proposed for Rhode Island. CCA will develop a series of performance metrics to benchmark lotteries within this peer group.

*VLT Provider**Rates and replacement requirements*

CCA will provide historical data and expert opinion from slot managers and other jurisdictions on typical best practices regarding rates charged and machine conversion/replacement cycles in VLT and casino environments.

Premium games

CCA will provide the RIGA with information on the relative deployment of premium games and assessments of their performance on casino floors in those environments most similar to Rhode Island casinos.

Efficiency

CCA will analyze machine efficiency in other markets and compare that performance with Rhode Island casinos. We will utilize historical NTI, win per unit, and other machine performance data by manufacturer and title from sources such as Eilers Fantini and other third-party sources. CCA will analyze the current method for determining machine efficiency in Rhode Island and determine how it would compare, had it been in use, in other jurisdictions. We will also test the efficiency model under varying scenarios to quantify how under the proposed agreement each party is compensated (Gross and Net) and where the incentives to stakeholders lie.

CCA will need historical VLT operating performance data from the Lottery and/or IGT for Twin River, Newport Grand, and Tiverton by machine type, vendor, title, denomination and location on the floor. We also need data on the number machine replacements and conversions including vendor, title denomination and location on the floor.

Competition among VLT providers

It is a well-established maxim among slot managers that variety matters. CCA will provide the RIGA with an overview of the disposition of slot floors in comparable markets in the United States in terms of machine vendor and titles for comparison with casinos in Rhode Island.

Instant ticket services

Instant ticket services are more homogeneous in the United States than online lottery or VLT gaming, and thus will be easier to compare to what is proposed for Rhode Island. CCA will perform a detailed analysis of the instant tickets contracts and the services provided therein to rationalize and quantitatively compare the terms of these contracts with what is proposed for Rhode Island. CCA will develop a series of performance metrics to benchmark lotteries within this peer group.

Contract length, changing technology and markets

As part of this analysis CCA will provide the RIGA with data on the length of existing online, instant ticket and VLT lottery contracts, including the initial term and any extensions. CCA will provide the RIGA with an historical analysis of trends in these contracts as well as a description in major technology upgrades that have occurred over the past twenty years as well as observations on where that technology may be going in the future.

Unique role of state in control over casino operations

As part of our review and analysis of the VLT states and VLT system contracts, CCA will identify where decision points regarding machine placement, purchases, and vendor choices reside, including measures of efficiency and machine performance.

Qualifications of potential other vendors

In addition to performing an analysis of various online, VLT and Instant Ticket contracts. CCA will provide the RIGA with information on the supplier of these various services in each of these jurisdictions as well as a description of the historical performance of these suppliers under that contract.

Timing and implementation of system vendor changeovers

CCA will provide the RIGA with a list of all system changeovers performed in other jurisdictions since 2005, as well as a timeline for each step of the process from the drafting of the RFP for these services to

the day the switch was flipped, and the handover was completed. CCA will also identify any issues that arose after the handover, if any.

Role of VLT offerings in overall revenue performance and impact of competition for floor space

Finally, CCA will provide the RIGA with an assessment of how limits on machine types and titles can affect slot floor performance in competitive environments.

PART 5. RELATIONSHIP IMPARTIALITY DISCLAIMER

CCA's business is predicated upon being an impartial unbiased advisor. CCA projects are one-time narrowly focused engagements. We are hired to perform evidence-based analyses of gambling related questions, most often for State and local governments and agencies, but sometimes for private clients as well.

CCA warrants that we will provide detailed and impartial scrutiny of Rhode Island's gaming processes. As detailed in Section 6 below, CCA does not currently have a relationship, nor have we had a relationship in the past with any of the interested parties to this contract that would even appear to present a conflict.

PART 6. DISCLOSURE OF PAST WORK WITH RHODE ISLAND GAMING CONTRACT INVESTED PARTIES

The following list of "invested parties" was provided to us by the procurement officer: IGT, Twin River, Camelot, Intralot, Scientific Games & the Rhode Island Lottery. In order:

IGT: CCA has not performed any services nor do we have any relationship with IGT

Intralot: CCA has not performed any services nor do we have any relationship with Intralot

Scientific Games: CCA has not performed any services nor do we have any relationship with Scientific Games. In the 1990s we produced studies related to pari-mutuel betting for Autotote that was later merged with Scientific Games. Also, in the 1990s we produced studies on slot machine gaming for Video Lottery Consultants (VLC) that was later acquired by Bally Gaming, which in turn was later merged with Scientific Games.

The Rhode Island Lottery: CCA has not performed any services for the Rhode Island Lottery but we have provided studies for the Rhode Island Department of Revenue. Specifically, CCA has conducted several studies for the Rhode Island Department of Revenue on the impacts of expanded gaming within and without Rhode Island. Specifically, in 2012, CCA conducted a broad study of gaming in Rhode Island including the likely revenue and fiscal impacts of newly authorized gaming in Massachusetts on Rhode Island gaming facilities under several alternative scenarios including the status quo in Rhode Island, various casino locations in Massachusetts, and the net impacts if Rhode Island's largest gaming facility was expanded to include a hotel and table games. The resulting study provided five-year projections of gaming and State of Rhode Island revenues under each of these scenarios. This study also assessed the local and regional net direct, indirect, and induced economic impacts of these alternative scenarios. Subsequently, CCA was engaged in 2015, 2017, and 2019 to update the five- year projections provided in the initial 2012 study to reflect different locations and opening dates for Massachusetts casinos as well as changes within Rhode Island, including new locations and recently authorized sports betting.

